



Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 04-6, 2004 Retroactive Federal Pay Increase and Locality-Based Comparability Payment

Date: March 31, 2004

To: Holders of Title I Procedures
Personnel Users Groups
Agency Personnel Offices

The President signed Executive Order Number 13332, dated March 3, 2004, to implement a Federal pay increase of approximately 2.7 percent and locality pay increase of approximately 1.4 percent retroactive to January 11, 2004. The retroactive Federal and locality pay increases will be processed by the National Finance Center (NFC) in Pay Period 7 (April 4-17, 2004) and reflected for most employees in their salary payments and earning and leave statements for Pay Period 7. The official payday for Pay Period 7 is April 29, 2004. The pay rates in **Executive Order Number 13322** dated December 30, 2003, are superseded by the pay rates in **Executive Order Number 13332** dated March 3, 2004.

This bulletin provides users of the NFC Payroll/Personnel System with information about the retroactive Federal and locality pay increases and related processing requirements. This bulletin contains the following sections:

1. Scheduled Rates of Basic Pay
2. Locality Pay
3. Employees Not Receiving Retroactive Locality Payments
4. Life Insurance Coverage
5. Retirement Coverage
6. Thrift Savings Plan (TSP)
7. Interest On Retroactive Payments
8. System-Generated Personnel Actions
9. NFC-Generated History Correction Update Processing System (HCUP) Personnel Actions
10. Lump Sum Annual Leave Payments
11. Compensatory Time Payments
12. Compensatory Time Earned

13. Manual Payments

1. Scheduled Rates of Basic Pay

Executive Order Number 13332 increases the scheduled rates of basic pay for the GS and the other statutory pay systems. The 2004 special salary rate schedules have been affected by the retroactive increase in Federal pay percentages. The 2004 special salary rates are changed. Special rate employees will receive **the greater of** the special salary rate or the locality rate for their grade and step.

2. Locality Pay

The additional pay increase attributable to the new locality rates ranges from 1.17 percent (Rest of U.S. Locality Area) to 2.59 percent (San Francisco Locality Area). See the attachment for a list of the new locality rates for 2004 for the 32 locality pay areas.

Locality rates of pay for GS employees may not exceed the rate payable for Level IV of the Executive Schedule (\$136,900 in 2004). As a result of the increase in locality percentages for 2004, the locality rate for GS-15/10, in the Houston and San Francisco locality areas would otherwise exceed the Level IV rate. Therefore, the GS-15/10 rate for the Houston and San Francisco locality areas is limited to \$136,900.

The new locality rates also apply retroactively to senior-level and scientific or professional positions, administrative law judges, and members of the Board of Contract Appeals.

3. Employees Not Receiving Retroactive Locality Payments

Employees receiving special salary rates whose scheduled rate of pay exceeds the corresponding locality rate of pay for their grade/step will not receive a retroactive locality increase.

Note: As a result of the retroactive locality pay increase, the Law Enforcement Officers (LEO) special geographic adjustment of 16 percent for the Boston locality pay area was terminated retroactive to January 10, 2004. LEO's in the Boston locality pay area will receive the higher locality pay percentage (16.99 percent) retroactive to January 11, 2004.

4. Life Insurance Coverage

If there is an increase in an employee's life insurance coverage as a result of the additional pay increases, the related increase in basic and optional life insurance deductions will also be effective retroactively to January 11, 2004.

For additional information, refer to the Office of Personnel Management (OPM) Compensation Policy Memoranda (CPM) 2004-05, Retroactive 2004 Pay Adjustment, dated March 4, 2004. A copy of CPM 2004-05 may be obtained from the following OPM web site: <http://opm.gov/oca/compmemo/index.asp>.

5. Retirement Coverage

The retroactive pay increases are considered pay for retirement purposes. NFC will submit the appropriate employee deductions and agency contributions due for any additional basic

pay to OPM in accordance with standard reporting procedures. For employees who separated after the beginning of Pay Period 01, 2004, NFC will submit a supplemental Individual Retirement Record documenting the revised salary rate and additional employee deductions.

For additional information, refer to OPM's CPM 2004-05, Retroactive 2004 Pay Adjustment, dated March 4, 2004.

6. Thrift Savings Plan (TSP)

If there is an increase in an employee's salary and the employee's TSP contribution is based on a percentage deduction (e.g., 8 percent or 13 percent), there will be a corresponding increase in the amount of the employee's TSP contribution. NFC will make adjustments for any Government matching funds for employees who are covered by the Federal Employees' Retirement System (FERS) and receiving the retroactive Federal and locality pay increases. **Note:** The retroactive pay increases are not considered an error subject to lost earnings for TSP purposes.

7. Interest On Retroactive Payments

In CPM 2004-05, Retroactive 2004 Pay Adjustment, dated March 4, 2004, OPM advised agencies that "employees are not entitled to interest on any payments received as a result of processing the retroactive pay adjustments."

8. System-Generated Personnel Actions

For Federal pay increases processed automatically in Pay Period 01, 2004, NFC will automatically generate personnel actions for the retroactive pay increases for those employees if they have had no intervening actions following the January pay increases. The personnel action which will be used for the retroactive pay increases will contain NOA 002/894 (Correction/Pay Adjustment) and the following Remarks Code:

- P86 - CORRECTS ITEMS 20, 20A, 20B, 20C, AND IF APPLICABLE, 20D TO REFLECT THE RETROACTIVE PAY INCREASE AUTHORIZED BY EXECUTIVE ORDER NUMBER 13332.

Note: NFC will not automatically generate the retroactive Federal pay increases for employees whose Federal pay increases were not processed automatically in Pay Period 01, 2004.

Unless agencies have provided additional requirements, NFC will follow the agency's January Pay Raise instructions for the retroactive payments. A Standard Form (SF) 50-B, Notification of Personnel Action, will be generated as normal for these actions. The authentication date will be the same date the Executive Order Number for the retroactive pay increases was signed (i.e, March 3, 2004).

9. HCUP Personnel Actions

For HCUP packages processed automatically in Pay Period 01, 2004, NFC will automatically generate HCUP packages for the retroactive pay increases in Pay Period 07, 2004, for the following employees:

- for new hires and transfers (between NFC-serviced agencies) appointed between January 11, 2004, and April 3, 2004. The HCUP package will generate a correction to the accession, and will include corrections of any subsequent personnel actions processed after January 11, 2004. The correction actions will contain Remarks Code P86.
- for transfers from agencies not serviced by NFC, and who were appointed between January 11, 2004, and April 3, 2004. The HCUP package will start with a correction to the accession, and will include corrections of any subsequent personnel actions. The correction actions will contain Remarks Code P86.

In CPM 2004-05, dated March 4, 2004, OPM has advised that the employee's **current** employing agency is responsible for processing the NOA 002/894 (Correction/Pay Adjustment) effective January 11, 2004, correcting any subsequent personnel actions, and distributing a copy of the action to the employee and filing a copy in the employee's official personnel folder.

- for employees separated between January 11, 2004, and April 3, 2004. The HCUP package will contain the NOA 002/894 (Correction/Pay Adjustment) effective, January 11, 2004, and corrections of any subsequent personnel actions. The correction actions will contain Remarks Code P86.
- for employees with personnel actions processed between January 11, 2004, and April 3, 2004. The HCUP package will contain the NOA 002/894 (Correction/Pay Adjustment) effective, January 11, 2004, and corrections of any subsequent personnel actions. The correction actions will contain Remarks Code P86.

While NFC expects the vast majority of HCUP cases generated for the retroactive Federal pay increases to apply to the NFC Payroll/Personnel database without agency intervention, it is anticipated that some HCUP packages generated by NFC will fail a system edit and reject in the Personnel Edit Subsystem (PINE). **It will be the agencies' responsibility to review the retroactive HCUP packages and correct the actions to ensure that the HCUP packages apply to the database. NFC will not allow agencies to delete the retroactive HCUP packages. In order to request a retroactive HCUP package to be deleted, the agency key representative must submit a request via e-mail to NFC's annual payraise mailbox at Annual.PayRaise@nfc.usda.gov. Only NFC will be able to delete the retroactive HCUP packages.**

Note: If employees' salary records are not currently correct on the database, it will be the agencies' responsibility to review the employees records and take the corrective action to process the HCUP packages.

An SF 50-B, Notification of Personnel Action, will also be generated for all intervening personnel actions included in the system-generated HCUP packages. The SF 50-B will include Remarks Code P86.

10. Lump Sum Annual Leave Payments

NFC has identified two categories of separated employees affected by the retroactive pay increases: (1) former employees who separated prior to January 11, 2004, and whose projected annual leave carried them beyond that date; and (2) former employees separated on or after January 11, 2004. No action on the part of the agency is necessary. NFC's Payroll Operations Branch (POB) will make adjustments to the Lump Sum Payments and issue supplemental payments to these separated employees.

11. Compensatory Time Payments

NFC's POB will review all system-generated and manual compensatory time payments processed during Pay Period 01 through 06 and will make any adjustments required by the retroactive locality payment. No action on the part of the agency is required.

12. Compensatory Time Earned

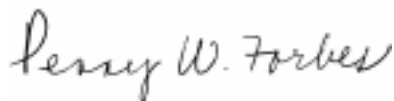
The Adjustment Processing System will revalidate employee Time and Attendance reports for Pay Periods 01 through 06. For employees who earned compensatory time during that period, NFC will update the compensatory time record with the new overtime rates. However, if an agency has adjusted an employee's compensatory time record via the Time Inquiry - Leave Update System (TINQ), the agency will be required to update that employee's compensatory time record with the new overtime rate via TINQ.

13. Manual Payments

NFC's POB will review all manual payments for Pay Periods 01 through 06 and will make any adjustments required by the retroactive pay increase. No action on the part of the agency is required.

Inquiries

This bulletin supersedes Bulletin 03-3, Retroactive 2003 Locality-Based Comparability Payment, dated May 23, 2003. Agencies are **encouraged** to coordinate any problems with their respective agency pay raise representative **prior** to calling NFC for assistance. For questions about NFC processing, contact POB at **504-255-4630**.



PENNY W. FORBES, Acting Director
Government Employees Services Division

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Locality Pay Areas for 2004

Locality Pay Area	Percentage Factor
Atlanta, GA MSA	12.61%
Boston-Worcester-Lawrence, MA-NH-ME-CT-RI CMSA	16.99%
Chicago-Gary-Kenosha, IL-IN-WI CMSA	18.26%
Cincinnati-Hamilton, OH-KY-IN CMSA	15.07%
Cleveland-Akron, OH CMSA	13.14%
Columbus, OH MSA	13.14%
Dallas-Fort Worth, TX CMSA	13.85%
Dayton-Springfield, OH MSA	12.03%
Denver-Boulder-Greeley , CO CMSA	16.66%
Detroit-Ann Arbor-Flint, MI CMSA	18.32%
Hartford, CT MSA, including all of New London County	17.87%
Houston-Galveston-Brazoria, TX CMSA	23.14%
Huntsville, AL MSA	11.49%
Indianapolis, IN MSA	11.11%
Kansas City, MO-KS MSA	11.54%
Los Angeles-Riverside-Orange County, CA CMSA, including Santa Barbara County, CA, and all of Edwards Air Force Base, CA CMSA	20.05%
Miami-Fort Lauderdale, FL CMSA	15.54%
Milwaukee-Racine, WI CMSA	12.64%
Minneapolis-St. Paul, MN-WI MSA	14.75%
New York-Northern New Jersey-Long Island, NY-NJ-CT- PA CMSA	19.29%
Orlando, FL MSA	10.93%
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE- MD CMSA	15.32%
Pittsburgh, PA MSA	11.92%
Portland-Salem, OR-WA CMSA	14.69%
Richmond-Petersburg, VA MSA	12.13%
Sacramento-Yolo, CA CMSA	15.18%
St. Louis, MO-IL MSA	11.27%
San Diego, CA MSA	16.16%
San Francisco-Oakland-San Jose, CA CMSA	24.21%

Locality Pay Areas for 2004 *(continued)*

Locality Pay Area	Percentage Factor
Seattle-Tacoma-Bremerton, WA CMSA	15.12%
Washington-Baltimore, DC-MD-VA-WV CMSA	14.63%
Rest of U.S. (RUS) - portions of the United States not located within another pay locality area	10.90%